



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0586	Title:	Deposit a portion of oil and gas taxes in older Montanan's trust fund
Primary Sponsor:	Beck, Bill	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>	<u>FY 2012</u> <u>Difference</u>	<u>FY 2013</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Trust Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$386,961)	(\$472,238)	(\$472,238)	(\$472,238)
Trust Fund	\$386,961	\$472,238	\$472,238	\$472,238
Net Impact-General Fund Balance:	<u>(\$386,961)</u>	<u>(\$472,238)</u>	<u>(\$472,238)</u>	<u>(\$472,238)</u>

Description of fiscal impact:

Starting in FY 2010, this bill will require that 0.5% of the state share of oil and natural gas production taxes will be deposited in the Older Montanans Trust Fund. State general fund revenues will be reduced by the amount that is deposited in the Older Montanans Trust Fund. The Older Montanans Trust Fund is administered by the Department of Health and Human Services for the stated purpose of improving the quality of life for older citizens.

FISCAL ANALYSIS

Assumptions:

- Under current law, specific percentages of the state share of oil and natural gas productions are to be deposited in specific funds, and the remainder is deposited in the state general fund.
- Section 1 of this bill amends 15-36-101, MCA to require that 0.5% of the state share of oil and natural gas production taxes will be deposited in the Older Montanans Trust Fund. State general fund revenues will be reduced by the amount that is deposited in the Older Montanans Trust Fund.
- The following table shows the distribution of the state share of oil and natural gas production taxes, under both current and proposed law.

Distribution of State Share of the Oil and Gas Production Tax

Account	FY 2010 and FY 2011		FY 2012 and FY 2013	
	Current Law	Proposed Law	Current Law	Proposed Law
Coal Bed Methane Protection	1.23%	1.23%	0.00%	0.00%
Natural Resource Projects	1.45%	1.45%	2.16%	2.16%
Natural Resource Operations	1.45%	1.45%	2.02%	2.02%
Orphan Share	2.99%	2.99%	2.95%	2.95%
University System	2.65%	2.65%	2.65%	2.65%
Older Montanans' Trust Fund	0.00%	0.50%	0.00%	0.50%
General Fund*	90.23%	89.73%	90.22%	89.72%
Total Distribution	100.00%	100.00%	100.00%	100.00%

* All Funds not specifically allocated to the another fund are deposited in the state general fund

4. HJR 2 forecast state general fund revenues from the oil and natural gas production tax are \$69.831 million for FY 2010 and \$85.220 million for FY 2011. For purposes of this fiscal note, it is assumed total state revenues from the oil and natural gas production tax for each FY 2012 and FY 2013 will be the same as for FY 2011, \$94.448 million. This assumption would imply general fund revenue of \$85.211 million in FY 2012 and FY 2013.
5. The total state share of oil and natural gas production taxes in any year can be calculated by dividing the forecast general fund revenues from oil and gas production taxes by the general fund percentage of the total state share under current law. From the table above, these percentages are 90.23% for FY 2010 and FY 2011, and 90.22% for FY 2012 and FY 2013. The amounts to be deposited in the Older Montanans Trust Fund under the proposed law can then be calculated by multiplying the total state share of oil and natural gas production taxes in a given year by 0.50%. Under the proposed law, state general fund revenues will be reduced by the amount that is deposited in the Older Montanans Trust Fund. The following table shows all these calculations for FY 2010 through FY 2013.

Estimated Fiscal Impacts to the State General Fund and the Older Montanans' Trust Fund

	FY 2010	FY 2011	FY 2012*	FY 2013*
Current Law				
General Fund	\$69,831,000	\$85,220,000	\$85,210,555	\$85,210,555
General Fund as a % of State Share	90.23%	90.23%	90.22%	90.22%
Total State Share	\$77,392,220	\$94,447,523	\$94,447,523	\$94,447,523
Proposed Law				
Older Montanans' Trust Fund %	0.50%	0.50%	0.50%	0.50%
Older Montanans' Trust Fund	386,961	472,238	472,238	472,238
State General Fund	\$77,005,259	\$93,975,285	\$93,975,285	\$93,975,285

* Total state revenue for FY 2012 and FY 2013 is assumed to be the same as FY 2011.

6. Section 2 of this bill amends 52-3-115, MCA, to add the revenues from the oil and natural gas production tax to the sources of funds for the Older Montanans Trust Fund.
7. Section 3 of the bill provides for an effective date of July 1, 2009.
8. This bill will require modifications to the Department of Revenue's GenTax computer system. These modifications will require approximately 300 hours for development and testing. The department will accomplish these tasks with existing resources.

	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>	<u>FY 2012</u> <u>Difference</u>	<u>FY 2013</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Revenues:</u>				
General Fund (01)	(\$386,961)	(\$472,238)	(\$472,238)	(\$472,238)
Trust Fund (09)	\$386,961	\$472,238	\$472,238	\$472,238
TOTAL Revenues	\$0	\$0	\$0	\$0

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$386,961)	(\$472,238)	(\$472,238)	(\$472,238)
Trust Fund (09)	\$386,961	\$472,238	\$472,238	\$472,238

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date